

Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 SPC-03 AID-20 EB-11 NSC-10

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CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

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FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 5072

INFO AMEMBASSY LONDON

AMEMBASSY ROME

AEMBASSY TRIPOLI 973

USMISSION NATO

C O N F I D E N T I A L VALLETTA 2452

E.O. 11652: GDS

TAGS: ENRG, MT, LY, IT, UK

SUBJ: MALTA OIL SUPPLY SITUATION

REF: VALLETTA 2435

1. ENGLISH LANGUAGE DAILY MALTA NEWS CARRIED ITEM DEC. 12 REPORTING FIVE OIL COMPANIES WITH REFINERIES IN VARIOUS MEDITERRANEAN COUNTRIES HAVE OFFERED GOM TO REFINE CURDEOIL WHICH LARG HAS GUARANTEED TO SUPPLY FOR NEXT YEAR. ACCORDING TO MALTA NEWS, GOM IS IN CONTACT WITH AN ITALIAN OIL COMPANY ON THIS MATTER AND A COMPANY DELEGAION IS EXPECTED TO COME TO MALTA SHORTLY TO DISCUSS AN OIL REFINING CONTRACT.

2. SME ISSUE MALTA NEWS ALSO REPORTS THAT U.K. AUTHORITIES HAVE AGREED PROVIDE A RAF GASOLINE STORAGE TANK FOR GOM CIVILIAN USE. ACCORDING TO THIS INFORMATION, WHICH IS CONFIRMED BY BRITISH HIGH COMMISSION, USE OF THIS FACILITY IS CONFIDENTIAL

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BASED ON A PREINDEPENDENCE AGREEMENT TO ALLOCATE CERTAIN

STORAGE CAPACITY TO GOM.

3. LOCAL ESSO MANAGER NAUDI INFORMED EMBASSY DEC. 12 HE HAS REQUESTED ADDITIONAL HALF MONTH SUPPLY OF FUEL TO BE DELIVERED IN MALTA FOLLOWING GOM AGREEMENT DISCUSS PRICES. NAUDI HAS ASKED FOR FORMAL DISCUSSIONS OF PRICES SITUATION ON DEC. 17. PENDING THE OUTCOME OF THESE TALKS, HE STILL HAS THE OPTION TO CANCELLING HIS SUPPLY ORDER SINCE IT WOULD NOT BE LOADED ON A TANKER UNTIL APPROXIMATELY DEC 24. LOCAL ESSO COMPANY IS LOSING 90,000 MALTA POUNDS ON EACH FULL SHIPMENT OF FUEL AT CURRENT PRICES. NAUDI HAS DONE HIS BEST TO MAKE CLEAR TO GOM AUTHORITIES, INCLUDING MINISTER OF DEVELOPMENT HYZLER AND TRADE MINISTER ZUEREB, ESSO NO LONGER PREPARED TOLERATE SUCH LOSSES. LOCAL SHELL SUBIIDARY, WHICH PRESUMABLY IS SUFFERING EQUALLY HEAVY LOSSES, HAS REPORTEDLY, HOWEVER, RECENTLY RECEIVED ANOTHER SHIPMENT OF FUEL SUPPLIES.

4. COMMENT GOM AUTHORITIES APPEAR TO BE PLAY A GAME OF POKER WITH ESSO OVER PRICES AND SUPPLY QUESTIONS. EVEN WITH ASSURANCES FROM LARG, IT SEEMS DOUBTFUL THEY COULD AVOID MARKET AND SUPPLY DISRUPTION IF ESSO IS FORCED TO PULL OUT DUE TO COST CONSIDERATIONS. MOREOVER, WITH CURRENT BANK CRISIS (SEE PSEPTEL) RESULTING IN TAKE OVER OF SECOND LARGEST PRIVATE BANK BY NEW GOM CONTROLLED ENTITY IT IS DIFFICULT TO UNDERSTAND WHY MINTOFF WOULD WANT TO RISK SUCH A SHOWDOWN IN ANOTHER KEY PRIVATE SECTOR. GOLINO

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